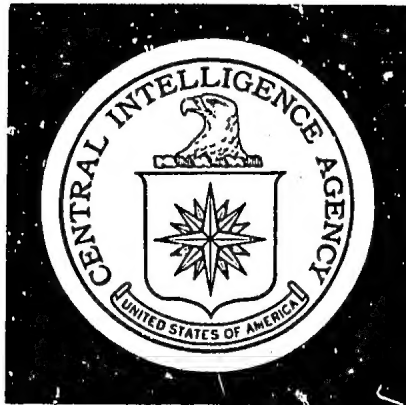


Sanitized Copy Approved for
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CIA-RDP85T00875R00170002

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CIA-RDP85T00875R00170002

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CIA/OEE/IM 71-162
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Soviet Economic And Military Presence In The Sudan

Secret

ER IM 71-162
August 1971

Copy No. 53

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
August 1971

INTELLIGENCE MEMORANDUM

SOVIET ECONOMIC AND MILITARY PRESENCE IN THE SUDAN

Introduction

1. The abortive pro-Communist coup of 19 July 1971 in the Sudan (see the map) and the subsequent purge of the local Communist Party has brought Sudanese relations with the USSR close to the breaking point. Economic and military cooperation between the two countries, which had increased sharply over the last two years, will almost certainly decline or cease. Soviet involvement has included sizable trade agreements, promises of substantial economic aid, and large-scale military assistance. Despite Soviet assistance, the Sudanese economy has deteriorated drastically, and even before the coup attempt Sudanese began looking elsewhere for assistance in solving their pressing economic problems. This memorandum assesses the Soviet economic and military presence in the Sudan and discusses possible alternative sources of economic assistance available to the Sudanese.

Discussion

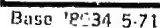
Background

2. Radical socialism was introduced into the Sudan by a military coup in May 1969. To obtain popular support and to counter opposition from conservative elements, the military Revolutionary Command Council (RCC), headed by Major General Jafar Numayri, brought many Sudanese Communist Party (SCP) members into the new government. The "capitalist road to development" was rejected, government trading monopolies were

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

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proposed, and an expansion of economic relations bilaterally with Communist and radical Arab countries was instituted.

3. The USSR responded favorably, and increased its presence in the Sudan appreciably. In September 1969, Moscow sent a 15-man mission to help draft a Five-Year Plan to guide the Sudan's economic development in 1971-75. Later, a sizable barter trade agreement was arranged, and the USSR hinted at substantial economic aid. By assuming almost complete responsibility for training and supplying the Sudanese army, the USSR enabled the revolutionary government to attempt a military solution to the protracted civil war with Black Africans in southern Sudan. The USSR specifically applauded the nationalizations and confiscations in 1970, and paid the Sudan a rare compliment by adding it to the list of "non-capitalist" developing countries, a select group whose domestic programs are most in accord with Soviet thinking.

4. The economics of Sudanese socialism proved disastrous, worsening the situation that had helped precipitate Numayri's coup in 1969. 1/ Despite the government's success in increasing revenues in fiscal year (FY) 1970, 2/ a \$96 million budget deficit was recorded. The May 1970 SCP-inspired nationalizations demoralized the private sector, brought nearly every Sudanese productive industry to the brink of collapse, and killed all incentive for domestic and foreign private investment. The Sudan was unable to raise foreign exchange necessary to meet increasing obligations: more than half of the cotton crop (the major foreign exchange earner) had become tied to barter agreements, friendly Arab countries refused to make large loans because of SCP influence in the government, and receipts from other sources proved little more than a trickle. By December 1970, gross foreign exchange reserves had dropped to about \$21 million, barely enough to back the money supply, and net foreign exchange reserves, taking short-term obligations into account, had plummeted from a minus \$15 million in June 1969 to a minus \$60 million.

5. Growing disillusionment led to major policy shifts beginning in November 1970 when Numayri dismissed Sudanese Communists from key posts in the government. To garner favor with Arab countries, such as Libya and Kuwait, Numayri intensely criticized the local Communists. The unrealistic Five-Year Plan was revised, and, to ensure its successful implementation, discreet overtures were made to the West for aid. In early

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2. The fiscal year of the Sudan begins on 1 July of the previous year and ends on 30 June of the stated year.

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June 1971, a return to the West for aid was made official policy. To counter these actions, pro-Communist military officers moved against the Numayri regime on 19 July.

6. The coup was short lived, and the return of Numayri to power by a counter coup on 22 July signaled a massive purge of Communists. The harsh reaction by Moscow to the execution of the coup leaders and SCP officials led Numayri to charge the Soviet Embassy with being an "accomplice of the coup leaders and the SCP." Numayri's actions to date have left Moscow with little opportunity to be conciliatory toward Khartoum, and Soviet public statements during the last week of July indicated that Moscow was prepared to use its military and economic aid in the Sudan to apply pressure on Numayri's government. Both sides, however, apparently would prefer to avoid a complete rupture in relations, and during the first week in August the Soviet press campaign appeared to have eased.

Impact of Soviet Involvement

Trade

7. In 1970 the USSR made a bid to become the Sudan's major trading partner as a result of the \$43 million barter agreement of November 1969. In return for about 300,000 bales of Sudanese cotton, the USSR offered sugar, textiles, raw materials, machinery, and equipment. Claiming a shortage of convertible currency, Moscow refused to offer any cash for the cotton. Moreover, when delivered, the Soviet goods tended to be overpriced, particularly in view of their quality.

8. The Sudanese kept their part of the bargain, delivering most of the cotton by March 1970. Additional cotton, peanut, and sesame shipments brought the Sudan's total exports to the USSR for 1970 to \$47 million, compared with only \$11 million in 1969 (see Table 1). The Soviet share of Sudanese exports accordingly jumped from an average of 4.7% annually during the 1960s to 15.7% in 1970.

9. The USSR apparently felt free to deviate from the barter agreement to suit its own interests. Contrary to an earlier promise, it refused to take stored cotton from the previous year's crop. Moreover, the Sudanese were informed that the USSR would not supply goods that could be sold elsewhere for hard currency. The Sudan eventually did get some of the promised goods, but by no means all; total imports from the USSR for 1970 reached only \$25 million.

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Table 1
Direction of Sudanese Trade a/

	Million US \$			
	Exports		Imports	
	1969	1970	1969	1970
Communist countries	<u>50.8</u>	<u>84.5</u>	<u>43.8</u>	<u>60.8</u>
USSR	11.2	46.7	12.6	24.6
Communist China	18.4	17.7	14.3	12.2
Other	21.2	20.1	16.9	24.0
Western Europe	<u>110.1</u>	<u>110.7</u>	<u>117.4</u>	<u>120.0</u>
Italy	32.2	30.8	13.0	5.9
West Germany	29.0	30.4	16.8	22.5
United Kingdom	16.6	17.7	51.1	57.7
Other	32.3	31.8	36.5	33.9
Arab countries	<u>20.7</u>	<u>27.0</u>	<u>25.7</u>	<u>19.4</u>
United Arab Republic	9.2	16.2	11.1	15.7
Saudi Arabia	7.5	6.3	0.5	0.5
Other	4.0	4.5	14.7	3.2
Asia	<u>53.3</u>	<u>61.1</u>	<u>50.7</u>	<u>62.7</u>
India	30.2	29.5	25.4	38.1
Japan	21.2	26.8	21.7	17.0
Other	1.9	4.8	3.6	7.6
United States	<u>8.4</u>	<u>10.8</u>	<u>7.6</u>	<u>8.8</u>
Other countries	<u>4.2</u>	<u>4.1</u>	<u>11.2</u>	<u>15.6</u>
Total	247.5	298.2	256.4	287.3

a. Source: Department of Statistics, Sudan.

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10. Further incidents in early 1971 aroused Sudanese suspicions of Soviet motives. In April the USSR signed an agreement with India -- the Sudan's largest cotton customer after the USSR -- by which India is to process approximately 110,000 bales annually of Soviet-owned, mainly Sudanese cotton. The Sudanese government reacted sharply, believing that its large direct cotton export trade to India was being threatened by the USSR, just as had occurred allegedly already through Soviet sales of smaller quantities of cotton in Europe. This sense of outrage was somewhat ameliorated by assurances that only processing is to take place in India. However, by retaining a portion of the processed textiles as payment for the processing, India, in fact, will be receiving Sudanese cotton from the USSR that otherwise could be supplied by the Sudanese for hard currency.

11. The barter agreement was renewed for three more years in January 1971. The annual amount of trade was to be the same, \$43 million, but, at least for 1971, the USSR reportedly was to pay cash for \$8.6 million worth of cotton. [redacted] in May 1971 that the Sudan was planning to cut the barter agreement from the present 300,000 to 100,000 bales annually. This action would not cause the Sudan any significant problems because other customers are available; for example, recent sizable trade arrangements were concluded with the United Kingdom and Communist China.

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Economic Aid

12. The true extent of Soviet economic aid to the Sudan since the May 1969 coup is not clear. On returning from a mission to Moscow in November 1969, Sudanese government leaders announced what appeared to be some \$41.8 million in Soviet economic aid commitments. Other announcements during the same period attempted to pass off trade agreements with other Communist countries as aid and the reactivation of old aid agreements as new commitments.

13. Soviet economic aid actually received was quite small, totaling about \$1.5 million for 1969 and 1970. Most of this aid was drawn from a 1961 credit for \$22.2 million and was used primarily for projects that include hospital construction and the establishment of a veterinary research laboratory. In 1970, experts were supplied for a geological study of the Red Sea Hills area, economic planning consultation, railway improvement, and irrigation consultation for the Rahad irrigation scheme. This is currently the Sudan's largest development project and will utilize waters from a new dam at Al Rusayris.

14. An abrupt loss of Soviet economic aid would cause no major problems for the Sudan. Only some \$5 million from 1961 loans remained

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available at the start of 1971, although more recent credits are still available (see Table 2). The loss of some 70 Soviet economic technicians would be felt but in no way would cripple development programs – the USSR is not greatly involved in large projects that could not be completed by someone else. No Soviet commitments to implement the Five-Year Plan have been made.

Military Aid

15. The USSR is overwhelmingly the largest military aid supplier to the Sudan. 3/ In January 1968, \$75 million in military aid was obligated, and, after the May 1969 coup, equipment deliveries and adviser arrivals increased significantly. By the end of 1970 an estimated \$60 million had been used and repayments of principal postponed until 1975. The Sudan has been supplied with quantities of small arms and large numbers of medium tanks, armored personnel carriers, and artillery. In addition, several MIG-21 fighters, SA-2 missile equipment, and MI-8 helicopters have been received. Soviet technicians and advisers, estimated at nearly 400, are serving in various capacities from construction experts and technicians to training instructors and military advisers. In 1970, some Soviet technicians were working on an air defense system/

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16. A threat to end military aid probably is the only serious pressure the USSR could exert on the Sudan. Training for the maintenance and operation of some of the Soviet equipment possibly could be obtained from Egypt. Without Soviet technicians, however, other equipment, such as the SA-2 missiles, would be of no value to the Sudanese.

Possible Alternatives**Other Communist Countries**

17. Perhaps as much as \$114 million in development credits is available from Communist sources other than the USSR (see Table 2). Most of the projects to be financed by these credits remain under discussion and are being considered within the context of the new Five-Year Plan. In some cases, Communist countries appear to be bidding against one another and against non-Communist sources for the same project. Proposed aid includes mostly assistance for agriculture and light industrial projects. Almost none of the credits have been drawn.

3. The only other active military aid agreements, totaling about \$11 million, are with Bulgaria and Czechoslovakia.

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Table 2

Economic Credits Available to the Sudan in 1971

Million US \$			
Country	Date Extended	Original Amount	Remainder Available
Bulgaria	1967	17.2	17.1
Communist China	1970	41.6	41.6
Czechoslovakia	1965	10.0	9.9
Czechoslovakia <u>a/</u>	1967	20.0	20.0
East Germany	1969	11.4	11.4
Hungary	1970	10.0	10.0
North Korea	1970	4.0	4.0
USSR	1961	22.2	5.2
USSR	1969	41.8 <u>b/</u>	41.4 <u>b/</u>
Kuwait	1965	4.8	0.2
Kuwait	1967	14.2	6.5
Kuwait	1971	50.0	50.0
United Arab Republic	1969	20.4	16.9
West Germany	1961	18.4	1.7
United Kingdom	1963	14.0	0.8
Denmark	1971	2.0	2.0
Sweden	1970	2.9	2.9
IBRD and IDA <u>c/</u>		155.5	19.9
Japan	1970	11.0	11.0

a. This loan may have lapsed without being used. No reference to a \$20 million Czech loan has appeared in recent reports on aid.

b. Not definitely established; may be much less.

c. The amounts represent several loans for specific projects made through 1968.

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18. The Chinese Communists are likely to become the major suppliers of Communist aid. Soon after signing a \$41.6 million aid agreement in August 1970, Peking sent 50 representatives to the Sudan to study the feasibility of several industrial projects and roadbuilding. By June 1971 the Chinese Communists had committed an estimated \$20 million to build a road between Wad Madani and Al Qadarif. Chinese performance in Africa in recent years would seem to indicate that they will prove dependable in their commitment. Moreover, the recent strains between Khartoum and Moscow give Peking an opportunity to pre-empt Soviet influence.

Arab Countries

19. Prospects for substantial aid from Arab countries are now extremely good. SCP influence in the Khartoum government had been the major stumbling block to Arab aid, but soon after Prime Minister Numayri began attacking the Communists in early 1971, Kuwait entered into a \$50 million agreement, repayable on easy terms, to furnish all of the Sudan's fertilizer needs for its development projects over the next five years. In addition, a permanent committee, composed of representatives of the Kuwait Fund for Arab Economic Development and the Investment Bank of Sudan was proposed to examine investment projects in the Sudan and to establish investment offices in the two countries.

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Ties with Libya and Egypt were strengthened after the successful countercoup in July 1971 and especially after Numayri announced he would join the proposed Arab Federation with Egypt, Libya, and Syria in January 1972. As a result, large-scale financial assistance from Libya seems likely.

The West

20. The West has been a dependable source of aid, even after the 1969 coup. Much of the capital for the Sudan's development projects between May 1969 and December 1970 came from Western commitments made prior to the coup. In 1971, some \$20 million remained available from loans of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) and \$2.5 million from West Germany and the United Kingdom. The Sudan continues to receive technical assistance totaling several million dollars annually from France, the United Kingdom, West Germany, and the Netherlands. Moreover, new aid has been sought and found in the West, particularly in the Scandinavian countries: Sweden agreed to a \$2.9 million loan to purchase well-drilling equipment in mid-1970 and Denmark offered a \$2 million interest free loan in early 1971. In the last year and a half the United Kingdom has considered three loans totaling \$5.8 million for

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pumping stations, improving the Sannar dam, and navigation equipment for Khartoum Airport. [REDACTED]

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21. The announcement in June 1971 of a major policy shift toward increased economic cooperation with the West already is leading to still greater Western assistance. Representatives from the IBRD will arrive in Khartoum soon to resume negotiations for financing the Rahad irrigation scheme, road building, agricultural mechanization, and the expansion of Gezira irrigation, south of Khartoum -- in all of which the USSR was to have played a major role. The Rahad loan alone has been estimated to be for \$34 million. The United Kingdom reportedly is initiating a major effort to furnish agricultural and technical assistance to Arab nations, the Sudan included, particularly with respect to cotton production. Although new official aid from the United States and West Germany is precluded at the moment because of severed diplomatic relations, the prospects for private investment from these countries are improving. The Sudan recently passed legislation to limit nationalizations and confiscations, to assure the safety of investments, and to provide for the repatriation of profits and capital. Sudanese officials have expressed a desire for private US involvement in Sudanese projects, and arrangements for formal talks already have been made with a West German company that had built two sugar mills and an ammunition plant in the 1960s.

Conclusions

22. A threat to cut back on either trade or economic aid by the USSR probably would put little pressure on the Sudanese. Soviet economic involvement in the Sudan has been disappointing, and the Sudanese have become suspicious of Soviet motives. The USSR has been cavalier in the execution of its part of the 1970 cotton barter agreement, and the Sudanese apparently were planning to cut back on the size of future deals. Furthermore, the Sudanese already had begun to look elsewhere for trade and economic assistance several months prior to the abortive coup. Prospects for non-Soviet economic aid have improved significantly, and even a modest commitment by one of several potential donors could more than replace any lost Soviet aid.

23. A threat to curb all military aid would be the greatest pressure Moscow could apply. As long as the Sudan continues to pursue a military solution to the southern rebellion, a need for substantial military assistance remains. A wholesale exodus of Soviet advisers and technicians would greatly reduce the effectiveness of the Sudanese army. Egyptian military advisers and Libyan money would be of some help, should the Soviets leave, but such aid could not replace Soviet expertise.

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